

September 26, 2022

# Monday Briefing – 26th September 2022



## HIGHLIGHTS

- It was a busy week for central banks with several of them announcing historically significant interest rate increases.
- It started with the Riksbank (Central Bank of Sweden) that brought out the sledgehammer and went with 100 basis points rate hike.
- Then followed by the Fed that raised its policy rate by 75bps for the 3rd consecutive time, the BoE that raised its key rate for the 7th consecutive time, Switzerland that announced a 75bps increase lifting its benchmark lending rate above 0% for the 1st time since 2014, and the Norges Bank that implemented a 50bps increase.
- The overriding message out of the FOMC communication last week was a simple one: this is gonna hurt. Meaningful economic pain is necessary to bring inflation down, and the Fed is willing to impose it.
- Hawkish central banks send stocks lower and bond yields sharply higher. The rout in the S&P 500 pushed the gauge within a striking distance of its June bottom while it revisited bear-market territory and gave back all summer gains.
- The dollar hit a fresh record, sweeping aside other currencies. The euro slid to its

weakest since 2002, while the pound touched its lowest in 37 years. Japan government intervened in the foreign exchange market to slow the Yen slide, after BoJ maintained its ultra-loose monetary policy. This was the first official intervention since the Asian crisis of 1998.

- As central banks around the world stepped up their fight against inflation at the cost of growth, oil headed for the longest stretch of weekly losses this year. West Texas Intermediate dropped below \$80 a barrel for the first time since January.
- The release of the new UK government's economic plan, that includes the largest tax cuts since 1972, seeded a perfect storm for UK gilts and GBP as it suggests a significant amount of public borrowing, likely to boost inflation pressures further out and highly likely to force the BoE to raise rates even more.

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